



DoD-State Liaison Office

**OFFICE OF THE DEPUTY ASSISTANT SECRETARY OF DEFENSE
(MILITARY COMMUNITY AND FAMILY POLICY)**

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

Chair Robert N. Herkes, CPC Committee

February 10, 2012

Testimony of

Laurie Crehan, Ed.D.

Quality of Life Regional Liaison

Office of the Assistant Secretary of Defense, Military Community & Family Policy

DoD-State Liaison Office

HB 2409 Relating to Consumer Protection

Support

The Department of Defense State Liaison Office operates under the direction of the Under Secretary of Defense for Personnel and Readiness, and the Deputy Assistant Secretary for Military Community and Family Policy. Our mission is to be a resource to state policymakers as they work to address quality of life issues of military families.

Testimony

Chair Herkes and members of the House Committee on Consumer Affairs and Commerce, on behalf of the Deputy Assistant Secretary of Defense, I would like to thank you for the opportunity to submit testimony on HB 2409, a bill relating to Consumer Protection in order to explain to you the Department's continuing effort to work with states to limit the terms of consumer credit extended to service members and their dependents. My name is Laurie Crehan. I am with the Department of Defense State Liaison Office which operates under the direction of the Under Secretary of Defense for Personnel and Readiness, and the Deputy Assistant Secretary of Defense for Military Community and Family Policy.

Federal Regulation

Congress gave the DoD unprecedented authority in 2006 to write a regulation that would limit credit terms provided to Service members and their families for any form of credit defined in the regulation. Title 32 of the Code of Federal Regulations, Part 232 implements the federal statute by defining the covered forms of credit -- payday, vehicle title and tax refund anticipation loans. The DoD recognized the need for Federal and State regulators to be the primary enforcers of the regulation -- Federal for tax refund anticipation loans and State for payday and vehicle title loans.

A year after the release of the regulation in August 2007, the Federal Financial Institutions Examination Council (FFIEC) released their tool for Federal and State regulators to use as part of their examinations of the creditors covered by the regulation.

Reason the DoD Supports State Enforcement Authority

Although the regulation has made a dramatic reduction in the use of the covered loans by active duty members and their families, there is evidence that some are still gaining access to these loans. A quick poll in November 2009 of 667 financial counselors working for or contracted by the DoD, along with legal assistance officers who work on military installations, revealed that about half had counseled at least one client in the preceding six months who had gotten a payday, vehicle title or tax refund anticipation loan.

Examination has worked thus far to help gain compliance, but in the event that a creditor continues to violate the regulation, court action would be needed to enforce the criminal penalties specified in the Federal statute – and that may mean through Federal court. DoD believes compliance can be achieved more efficiently if the state credit administrator has authority to enforce the regulation through state statute. Then, the state credit administrator can determine corrective action when violations or deficient policies are identified through examinations and consumer complaints. Providing authority to the State regulator would allow for the due-process and penalties associated with non-compliance of a state rule. The policy in HB 2409 would ensure that payday loan establishments would be regulated within the authority provided to the Office of Consumer Protection.

We look forward to Hawaii adopting these vital protections for our Service members and their families. Thank you for your continued support for our military members and families.

Dr. Laurie Crehan
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Duplicate

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**PRESENTATION OF THE
OFFICE OF CONSUMER PROTECTION**

TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

**THE TWENTY-SIXTH LEGISLATURE
REGULAR SESSION OF 2012**

**Monday, February 13, 2012
2:15 p.m.**

TESTIMONY ON HOUSE BILL NO. 2409, RELATING TO CONSUMER PROTECTION.

**THE HONORABLE ROBERT N. HERKES, CHAIR,
AND MEMBERS OF THE COMMITTEE:**

The Department of Commerce and Consumer Affairs ("DCCA"), Office of Consumer Protection ("OCP") appreciates the opportunity to appear today and testify on H.B. No. 2409. My name is Bruce B. Kim and I am the Executive Director of OCP. OCP supports H.B. No. 2409.

Members of our armed forces and their dependents face many significant challenges. Multiple overseas deployments and coping with a spouse's prolonged absence from home can lead to a great deal of emotional and financial stress. Our service members and their families may be particularly vulnerable to unscrupulous

lenders who may charge excessive fees and interest rates, make loans without regard to the borrower's ability to repay, refinance a borrower's loans repeatedly over a short period of time without any gain for the borrower, or in worst cases, commit outright fraud or deception.

When Department of Defense ("DOD") representatives contacted OCP and asked for assistance on this measure, they made a convincing case that Hawaii needed to consider such legislation to help the DOD enforce these important consumer protection regulations for our service members and their dependents.

Hawaii's payday lending law, Chap. 480F, already affords significant protections to consumers. However 32 CFR 232, "Limitations on Terms of Consumer Credit Extended to Service Members and Dependents", has protections specific to service members and their families which are not found in Chap. 480F. These additional protections would provide OCP with additional enforcement avenues in pursuing unscrupulous payday lenders who try and take advantage of an unsuspecting service member or his or her dependent. Since local payday lenders are already subject to the John Warner National Defense Authorization Act for Fiscal Year 2007 (Public Law No. 109-364) ("Act") and 32 CFR Part 232, providing OCP with authority to enforce these measures is an important step in the right direction. It would be another arrow in OCP's enforcement quiver against unscrupulous payday lenders in Hawaii.

This bill is a common sense reasonable measure allowing the DCCA through OCP to enforce these important consumer protections for our service members and

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their dependents. It further authorizes the DCCA through OCP to enter into an agreement to access the Military Sentinel Network maintained by the Federal Trade Commission ("FTC"). OCP would benefit greatly if it was allowed access to this useful FTC database.

OCP therefore strongly supports passage of H.B. No. 2409. I appreciate the opportunity to testify on behalf of this bill today and would be happy to answer any questions the Committee may have.